

Department of Local Affairs Policy in Review of Severance Credit Applications

During the 90 day period for review the DoLA Executive Director will refer the proposed contribution agreement to appropriate external persons and agencies for review and comment.

In the Department's internal staff review and analysis for the Energy Impact Assistance Advisory Committee the **criteria for review** are based on the statutory purpose of the credits: "to assist in solving the impact problems of units of local government resulting from the initiation" or expansion of mineral production by the taxpayer. The focus of the review is on the four items required in the agreement:

? **Who?**

- Is the taxpayer's corporate identity defined properly to confine use of the tax credit to severance tax liabilities from the specified operations?
- Are there significant dissenting voices regarding the agreement?
- Have other jurisdictions affected by the taxpayer's operations been considered?
- Has the contribution been reviewed locally and prioritized against pending impact grant applications from the area.

? **Why?**

- Is the need for impact assistance well established relative to other impact assistance needs in other jurisdictions affected by the taxpayer's operations?
- Have the jurisdiction and related local government entities considered the full agenda of need due to the taxpayer's operations?
- Is the type of community facility improvement supported by the contribution a relative priority over other types of needed improvements?

? **What?**

- Do the taxpayer and local jurisdiction appear to have reached a solid agreement on the specifics of the contribution?
- Are the specific definitions of the contribution sufficiently clear in the words of the agreement to assure verification of the contribution after the fact?

? **How Much?**

- Is the potential dollar credit, a deduction from severance tax revenue, of an appropriate scale relative to the need and purpose?
- What portion does the credit absorb?
- Does the credit agreement leave sufficient of the taxpayer's total severance liability after the credit is claimed to repay the lost revenue to the Severance Tax Trust Fund?

? **When?**

- Is the contribution contingent on other events and actions?
- Are the parties clear and is the agreement firm that the contribution will occur.